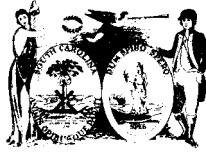


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

March 27, 2002

Mr. John Twitty, Controller  
Health Management Resources  
101 Grace Drive  
Easley, South Carolina 29640-9088

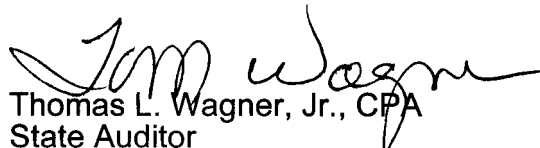
Re: AC# 3-WIL-J8 – Willow Creek Nursing Center, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph Hayes

**WILLOW CREEK NURSING CENTER, INC.**

**IVA, SOUTH CAROLINA**

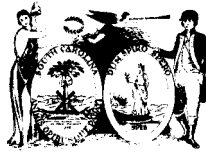
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-WIL-J8**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 10, 2001

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Willow Creek Nursing Center, Inc., for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

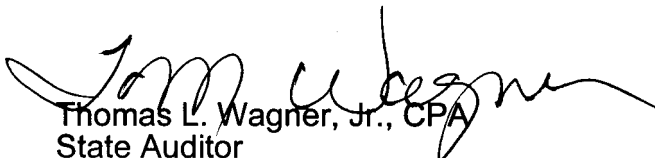
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Willow Creek Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report and Summary of Costs and Total Patient Days sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Willow Creek Nursing Center, Inc. dated as of June 1, 1995 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
May 10, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**WILLOW CREEK NURSING CENTER, INC.**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-WIL-J8

	10/01/99- <u>09/30/00</u>
Interim reimbursement rate (1)	\$106.53
Adjusted reimbursement rate	<u>105.96</u>
Decrease in reimbursement rate	\$ <u><u>.57</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

**WILLOW CREEK NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1999 Through September 30, 2000  
AC# 3-WIL-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.37	\$50.99	
Dietary		10.25	11.42	
Laundry/Housekeeping/Maint.		<u>7.51</u>	<u>8.77</u>	
Subtotal	<u>\$4.05</u>	67.13	71.18	\$ 67.13
Administration & Med. Records	<u>\$1.33</u>	<u>10.88</u>	<u>12.21</u>	<u>10.88</u>
Subtotal		78.01	<u>\$83.39</u>	78.01
<u>Costs Not Subject to Standards:</u>				
Utilities		2.75		2.75
Special Services		1.20		1.20
Medical Supplies & Oxygen		6.65		6.65
Taxes and Insurance		2.05		2.05
Legal Fees		<u>.06</u>		<u>.06</u>
<b>TOTAL</b>		<u>\$90.72</u>		90.72
Inflation Factor (3.00%)				2.72
Cost of Capital				9.45
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.33
Cost Incentive				4.05
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.63)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.57</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$105.96</u>

**WILLOW CREEK NURSING CENTER, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1998  
 AC# 3-WIL-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,048,842	\$ -	\$ -	\$1,048,842
Dietary	217,652	-	-	217,652
Laundry	44,583	-	-	44,583
Housekeeping	72,382	-	-	72,382
Maintenance	42,538	-	-	42,538
Administration & Medical Records	231,193	-	-	231,193
Utilities	58,341	-	-	58,341
Special Services	25,535	-	-	25,535
Medical Supplies & Oxygen	152,871	-	11,707 (1)	141,164
Taxes and Insurance	43,641	-	-	43,641
Legal Fees	1,203	-	-	1,203
Cost of Capital	<u>200,827</u>	<u>-</u>	<u>-</u>	<u>200,827</u>
Subtotal	2,139,608	-	11,707	2,127,901
Ancillary	84,791	-	-	84,791
Non-Allowable	<u>1,068,942</u>	<u>11,707</u> (1)	<u>-</u>	<u>1,080,649</u>
Total Operating Expenses	<u>\$3,293,341</u>	<u>\$11,707</u>	<u>\$11,707</u>	<u>\$3,293,341</u>
Total Patient Days	<u>21,243</u>	<u>-</u>	<u>-</u>	<u>21,243</u>
Total Beds	<u>60</u>			



**WILLOW CREEK NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-WIL-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Medical Supplies	\$11,707	\$11,707
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
		<u>\$11,707</u>	<u>\$11,707</u>
	TOTAL ADJUSTMENTS	<u>\$11,707</u>	<u>\$11,707</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

2 copies of this document were published at an estimated printing cost of \$1.26 each, and a total printing cost of \$2.52. The FY 2001-02 Appropriation Act requires that this information on printing costs be added to the document.